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Sixth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The implementation of the International Public Sector Accounting Standards (IPSAS) at the United Nations commenced in peacekeeping operations on 1 July 2013 as planned, and remains on target for 1 January 2014 for all other operations of the United Nations. The present report covers the work underway and how risks are being proactively managed to ensure successful implementation.

The General Assembly, in its resolution 60/283, approved the adoption of IPSAS for presenting the financial statements of the United Nations. The Secretary-General submitted the first progress report on IPSAS adoption to the General Assembly in 2008 (A/62/806), followed by reports in 2009 (A/64/355), 2010 (A/65/308), 2011 (A/66/379) and 2012 (A/67/344). The present report reviews the progress of IPSAS implementation at the United Nations and throughout the United Nations system during the period from 1 September 2012 to 31 August 2013.

As at 31 December 2012, 21 of 24 organizations within the United Nations system had completed their migration to IPSAS, including 10 in 2012. All 21 have received unqualified audit opinions on their 2012 IPSAS-compliant financial statements, attesting to the capability of the United Nations system organizations to adopt IPSAS and sustain compliance with it. Implementation is also on schedule for the remaining three organizations.

The General Assembly is requested to take note of the present report.

* A/68/150.

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I. Introduction

1. The adoption of the International Public Sector Accounting Standards (IPSAS) was recommended by the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination on 30 November 2005 to improve the quality, comparability and credibility of financial reporting across the United Nations system.

2. In 2006, the High-level Committee established a jointly funded system-wide project to support a harmonized approach to IPSAS implementation across United Nations system organizations. Under that approach, each organization is responsible for its IPSAS implementation, facilitated and guided by a system-wide IPSAS project team.

3. In 2006, the General Assembly by its resolution 60/283, approved the adoption of IPSAS. The project is on target for delivering the first IPSAS-compliant financial statements by 30 September 2014 for peacekeeping operations, and by 31 March 2015 for all other United Nations operations.

4. The present report reviews the progress of both the United Nations and the system-wide projects, for the period from 1 September 2012 to 31 August 2013. Progress at the United Nations is described in section II, followed by progress system-wide in section III, and actions to be taken by the General Assembly in section IV.

II. Implementation of the International Public Sector Accounting Standards at the United Nations

A. Overview

5. The project has been characterized by a heightened emphasis on implementation activities by local IPSAS teams at offices away from Headquarters, regional commissions, field and special political missions and other offices. Significant work has been done for the preparation of opening balances for all offices, with greater urgency for peacekeeping operations, which commenced IPSAS accounting effective 1 July 2013. The project also remains on track for the timely implementation of IPSAS for all non-peacekeeping operations effective 1 January 2014.

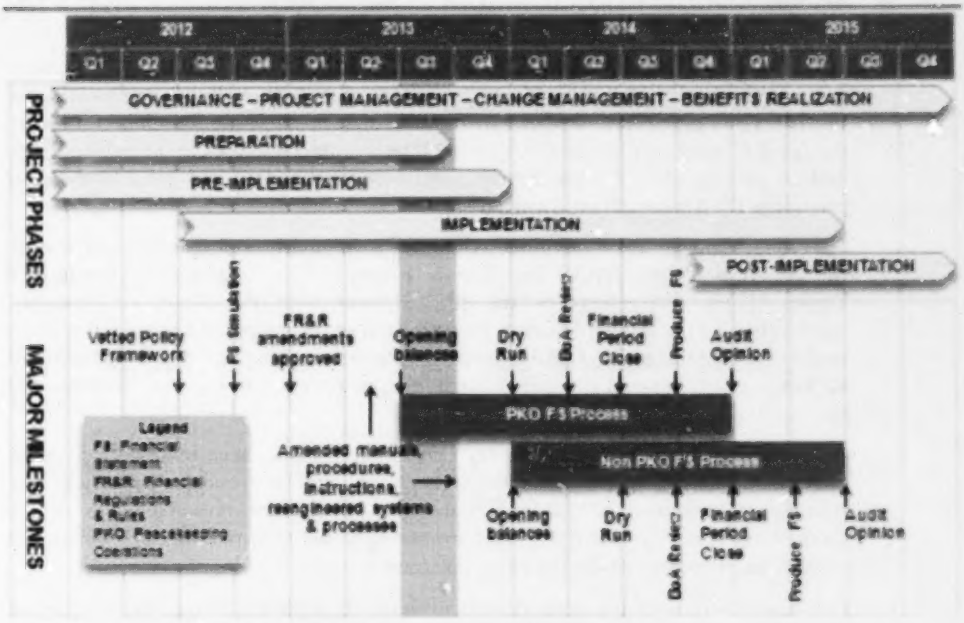
6. The General Assembly, in its resolution 66/246, had requested the Secretary-General to ensure that IPSAS implementation would be completed no later than 2014 and reaffirmed that the enterprise resource planning system would serve as the backbone for the IPSAS implementation. In February 2012, the Umoja Steering Committee invoked contingency plans to deal with the delay in the deployment of Umoja relative to IPSAS implementation deadlines. The Umoja and IPSAS projects have worked closely to align plans, coordinate joint activities and leverage synergies wherever feasible to maximize progress for both projects.

7. On the basis of the Umoja deployment plan, whereby Umoja will not be fully deployed in all locations in time for IPSAS implementation, transitional arrangements based on existing systems have been designed, tested and deployed to ensure on-time IPSAS implementation. All such arrangements have been designed

to use Umoja wherever available, and to facilitate the eventual deployment of Umoja.

8. Figure I shows the high-level schematic of the major activities for each quarter to the end of 2015, separately for peacekeeping and non-peacekeeping operations.

Figure I
Project phases and major milestones



B. Governance

9. With the shift in emphasis to implementation, the IPSAS Steering Committee was reconstituted in February 2013, predominantly at the level of Assistant Secretary-General and including some departments like the Department of Economic and Social Affairs and the Office for the Coordination of Humanitarian Affairs, to strengthen business support in actively managing key project risks and issues. Chaired by the Controller, the membership now comprises the Assistant Secretaries-General for Field Support, Economic and Social Affairs, Humanitarian Affairs, Information and Communications Technology, Central Support Services and Umoja, the directors of administration for the United Nations Offices at Geneva, Nairobi and Vienna, and the chiefs of administrative services for the Economic and Social Commission for Western Asia and the Economic Commission for Latin America and the Caribbean. The Steering Committee meets monthly to review the project's progress with a special emphasis on monitoring risks and planning for their mitigation. Also, at each meeting, the Committee receives briefings from one or two local implementation teams about their overall progress, challenges and risk management efforts.

10. An independent project assurance role was also created, reporting directly to the Controller, on the basis of a recommendation of the Office of Internal Oversight Services to follow project management best practice. This role provides an impartial assessment on the health of the project by validating the reliability of the information being reported to the Steering Committee, recommends improvements to reporting processes and highlights deficiencies in following up on risk mitigation activities. The Board of Auditors has welcomed this role and endorsed the implementation of the project assurance recommendations in order to improve risk management and accuracy of progress reporting.

11. For greater management buy-in and support, IPSAS-specific objectives were included in the 2013 senior managers' compacts. Senior managers' compliance with the IPSAS implementation plan will be measured in non-peacekeeping entities by the level of readiness of the IPSAS-compliant opening balances at the end of 2013, and in peacekeeping by the timely provision of complete and reliable data for preparing IPSAS-compliant financial statements.

12. The Management Committee continues to regularly and concurrently review the progress of the IPSAS and Umoja projects. The Management Committee supported the interactions of the IPSAS team with the Board of Auditors, particularly on the critical issue of the definition of inventory, and bolstered support to the implementation of IPSAS by enlisting the personal support and cooperation of all heads of offices and departments while advising them to exercise restraint and stay within the approved budgets.

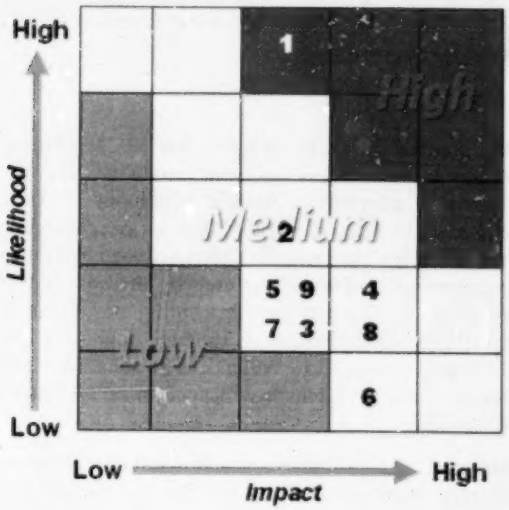
13. The Independent Audit Advisory Committee has also been reviewing progress quarterly, focusing on key challenges and how they are being dealt with. The Advisory Committee has paid particular attention to the reasonableness of the accounting policies relating to inventory, owing to the high risk that this poses to a "clean" audit opinion of the financial statements.

14. Consistent with the general shift in focus to implementation, the Director of the Accounts Division of the Office of Programme Planning, Budget and Accounts, Department of Management, has taken over the supervision of the IPSAS team, as he is responsible for the preparation of the financial statements. The IPSAS project management office, which is responsible for tracking the implementation plans and the risk registers and supporting the Steering Committee, continues to report to the Deputy Controller to provide independent assurance about the health of the project.

C. Risk management

15. IPSAS implementation is probably the most complex of all the United Nations system implementations, owing to a number of factors. The IPSAS Steering Committee, aided by the project management office, regularly reviews the risk heat map (figure II) to ensure suitable and timely risk mitigation whenever warranted.

Figure II
Heat map of key risks and issues



----------Issues----------

Issues are events that have happened

1 Umoja deployment timetable does not align with reporting framework timetable

----------Risks----------

Risks are events that may or may not happen

2 Delayed Umoja implementation

3 Low quality of HR data in PK Opening Balances

4 Qualified audit opinion of financial statements

5 Processes not in place for recording, maintaining and updating records for property, plant and equipment to enable continued IPSAS-compliant recording

6 System and process changes not ready on time

7 Lack of accuracy and/or compliance in monthly reporting could result in unrealistic project status

8 Board of Auditors does not accept inventory definition

9 Opening balances not accurate and auditable

Project management

16. The United Nations IPSAS implementation comprises 12 "reporting entities" as defined by IPSAS. Thus, 12 separate IPSAS-compliant financial statements have to be produced. These 12 entities do not have identical governance and administrative arrangements or computer systems architecture, thereby compounding the challenges for their IPSAS implementations. The project has, therefore, established a separate action plan to guide and manage each implementation.

17. To deal with the large and complex organizational scope, a project management tool with detailed local tasks had been rolled out, based on which 46 IPSAS implementation teams have been tracking and reporting their progress monthly since April 2012. This reporting structure facilitates monitoring of project progress and risks, both centrally and locally, as well as the coordination of activities and sharing of information, such as risk mitigation strategies. As new risks are identified locally or centrally, this structure ensures that they are documented in a standardized way so that, overall, risks can be better analysed, communicated and mitigated. The federated approach to IPSAS implementation, with central guidance provided by the United Nations IPSAS team, requires close monitoring of the progress of each local implementation team and their corresponding actions to mitigate risks. Compliance with the monthly reporting process is therefore tracked and reported to the Steering Committee by IPSAS, while the quality of the reporting is reviewed and reported to the Steering Committee by the project assurance function.

18. To improve the reliability of the reporting process and to implement the recommendations of the project assurance function, the above reporting process has been strengthened to include (a) a monthly self-assessment note from the local IPSAS executive sponsor or senior accountable manager, to strengthen that officials

direct involvement in, and support to, the implementation; (b) feedback to the local teams on their progress reports, by the IPSAS team on substantive matters and by the project management office on project management issues; and (c) monthly progress briefings to the Steering Committee by one or two local teams in offices away from Headquarters and regional commissions.

Transitional arrangements

19. Though the General Assembly had reaffirmed in its resolution 66/246 that the enterprise resource planning system would serve as the backbone for the implementation of IPSAS, the Umoja deployment schedule could not be fully aligned with the IPSAS implementation deadlines of 1 July 2013 for peacekeeping operations and 1 January 2014 for all other operations. This challenge has been addressed through transitional arrangements that were triggered by the decision of the Umoja Steering Committee in February 2012 to invoke contingency plans to deal with the Umoja delay. The IPSAS implementation strategy, including the transitional arrangements, assumes that Umoja will be rolled out as scheduled and that any delay will have consequences for IPSAS which will need to be addressed depending on the impact caused by the delay.

20. The transitional arrangements are based primarily on a few enhancements to the Integrated Management Information System (IMIS) and Galileo, and the use of a peacekeeping system as a staging environment for certain data, consistent with the recommendation of the Advisory Committee on Administrative and Budgetary Questions, approved by the General Assembly, to minimize enhancements to current systems.

21. An IPSAS parallel ledger has been created in IMIS as the basis for producing IPSAS-compliant financial statements. The existing journal voucher user session has been modified to book adjustments from United Nations system accounting standards transactions from current systems directly to the IPSAS parallel ledger. Custom reports and extracts from current systems will be used as the basis for summarized journal vouchers that will be booked in the IPSAS ledger to provide auditable trails for transactions in the IPSAS ledger and to minimize manual interventions, thus reducing the risks of errors and also addressing the external auditors' concerns in this regard.

22. As explained in the Secretary-General's fifth progress report (A/67/344), the first year's IPSAS-compliant financial statements for both peacekeeping and non-peacekeeping operations will be produced from IMIS using the IPSAS parallel ledger and by interfacing Umoja with IMIS. This strategy has the advantage of reducing the impact of any potential delays in the Umoja roll-out on the schedule for the preparation of the final IPSAS financial statements and on the dry run for the first six-month period, whose results are to be submitted to the Board of Auditors in accordance with its recommendation. The reporting/consolidation process will be gradually switched to Umoja as its deployment stabilizes and it becomes available to more locations.

23. To support IPSAS compliance in asset accounting in field missions, the asset management functionality of Galileo has been enhanced to provide additional asset accounting capabilities such as the capture of additional elements of costs and an IPSAS-compliant method of calculating depreciation. The other United Nations operations use different systems of varying but fairly low sophistication, and their

information is brought together through spreadsheet-based templates that will facilitate their eventual migration to Umoja.

24. One of the challenges related to asset accounting is the absence of a uniform and integrated system across the United Nations to maintain real estate data. The Department of Field Support and the IPSAS and Umoja teams collaboratively developed a tool by leveraging an existing system of the Department of Field Support to capture all the real estate data required to meet IPSAS and Umoja requirements in a single system to serve as a transitional measure until the full deployment of Umoja.

25. Unlike peacekeeping operations and special political missions, where most core functionality of Umoja will be fully deployed during the first year of IPSAS compliance, the other United Nations operations have a bigger systems challenge for IPSAS compliance. The United Nations Headquarters, the Office in Nairobi (including the United Nations Environment Programme and the United Nations Human Settlements Programme) and the Economic Commission for Africa will have Umoja from July 2014 but the other regional commissions and the United Nations Offices at Geneva and Vienna (and the other IPSAS reporting entities that they support, such as the International Trade Centre and the United Nations Office on Drugs and Crime) will not have Umoja until the middle of 2015. To mitigate the risks arising from manual adjustments over a prolonged period, a few additional enhancements to IMIS have been commissioned, focusing on the implementation of functionality to support the tracking of the delivery of goods and services.

26. The systems architecture to support IPSAS compliance until the full roll-out of Umoja has been presented in detail to the Board of Auditors, which is expected to conduct a detailed review and testing of the systems in September 2013. The development and implementation of all systems enhancements to support IPSAS in the transition period until Umoja becomes available are closely monitored by the Steering Committee.

Accounting for inventory

27. The United Nations accounting policy for inventory states that only items held for external sale and distribution, and strategic deployment stocks, are considered to be "financial" inventory to be reported as current assets in the financial statements. All other "non-financial" inventory will be expensed for reporting in the financial statements, though they will be tracked and managed like financial inventory. The United Nations believes that this accounting treatment, which makes the accurate valuation of inventory in peacekeeping operations manageable, is not only IPSAS-compliant but also in line with the practice of many other United Nations system organizations that have been accepted as IPSAS-compliant. This policy is still being evaluated for IPSAS compliance by the Board of Auditors.

28. The Board of Auditors has requested the United Nations to provide additional information in support of its proposed accounting treatment to "expense" all non-financial inventory. Information about the speed with which non-financial inventory is turned over, as well as the materiality of the value of such inventory, has been gathered from all peacekeeping missions and provided recently to the Board of Auditors, and should pave the way for its acceptance of the United Nations policy.

29. The United Nations believes that the earlier suggestion of the Board of Auditors to broaden the definition of financial inventory would heighten the risk of a qualified opinion on the financial statements, not only in the current situation when a suitable asset management and accounting system is not fully deployed, but even in the post-Umoja scenario owing to the inherent challenges of such accounting in a military-type operation.

30. As reported in the Secretary-General's fifth progress report (A/67/344), the valuation of inventory poses a significant risk owing largely to the lack of systems in field missions for some inventory items like fuel and rations, the lack of asset management functionality in IMIS for Headquarters and offices away from Headquarters, and the lack of a standardized system for inventory across non-peacekeeping operations. Further, the standard relating to inventory does not have a five-year transition provision for full compliance like some of the other standards, making it imperative to comply fully with the standard on initial adoption of IPSAS.

31. The United Nations has adopted several measures, with the active support of the Board of Auditors, to mitigate the risk of inaccurate valuation of inventory. While the cost of inventory will be determined using the moving average price once Umoja is fully deployed, the United Nations will be using the most practical way of calculating the costs of inventories for both opening balances and until the transition to Umoja is made. For example, a valuation methodology using a periodic weighted average price will mitigate some of the risks associated with the absence of a good inventory accounting system.

32. For field missions, an enhanced Galileo provides most of the functionality; though fuel and rations are managed outside Galileo, the latter has been reconfigured to accept manual adjustments from spreadsheets so that there is one overall inventory report produced from Galileo that includes rations as well strategic and local reserves of fuel. For non-peacekeeping operations, the lack of systems is a greater challenge until the deployment of Umoja but the volumes of their inventories are manageable and will be dealt with by means of a spreadsheet-based tool that has been designed to capture and enrich inventory data for IPSAS compliance and eventual migration to Umoja.

Accurate opening balances

33. One of the biggest challenges in IPSAS implementation across the United Nations system has been the preparation of accurate opening balances of assets and liabilities. The challenge is compounded for the United Nations by the volume and value of its assets and the lack of uniform or integrated systems across its diverse operations. As previously reported (see A/67/344, para. 51), the preparation of accurate opening balances is being approached from two perspectives, namely (a) ensuring that inventory of assets is complete and verifiable and (b) using valuation methodologies that reduce complexity.

34. The inventory of land and buildings across all United Nations operations has been completed using a staging database to facilitate their migration to Umoja.

35. Field missions have collected, cleansed, codified and maintained an extensive inventory of self-constructed assets, leases and donated right-to-use arrangements. The self-constructed assets will be valued centrally by the Department of Field

Support using an IPSAS-compliant methodology called depreciated replacement cost. This standard valuation methodology was developed and vetted with the help of experts and has been accepted by the Board of Auditors.

36. Because of the short-term mandate of peacekeeping missions, the Board of Auditors has agreed that the lease arrangements in field missions can be treated as operating leases and therefore do not need to be capitalized. For non-peacekeeping operations, six real estate arrangements have been determined to be finance leases requiring capitalization. These will be valued using the depreciated replacement cost method described earlier.

37. For field missions, key performance indices for IPSAS compliance have been established and are monitored regularly for critical property management activities such as physical verification of assets, review and reconciliation of asset discrepancies, write-off, etc.

38. Closing instructions for peacekeeping operations for the fiscal period ending on 31 June 2013 were issued at the end of April 2013. These provide guidance for the preparation of IPSAS opening balances as of 1 July 2013 and the procedures to be performed to determine the balances of assets and liabilities. These have been supplemented by joint IPSAS-Umoja workshops, described in paragraph 44 below.

39. A preliminary analysis of the quality of certain human resources data in field missions, such as annual leave balances, has triggered concern about their reliability for accurately reporting the related liabilities in the financial statements. The Department of Field Support has set up a team to conduct a data cleansing exercise to mitigate this risk.

40. For non-peacekeeping operations, offices conducted a physical verification of inventories as at 31 December 2012, which included the valuation of closing balances, as part of the plan for IPSAS opening balances. These offices are currently preparing for the December 2013 physical verification exercise which will directly affect the 2014 IPSAS opening balances.

41. A spreadsheet-based tool has been designed for non-peacekeeping operations to reduce the complexity of their valuations. This tool allowed them to track their inventory at the end of 2012, update the price movements for 2013 and carry out the end-of-2013 physical verification for compiling IPSAS opening balances for 2014. For offices without Umoja until mid-2015, this tool is expected to provide sustained support until their migration to Umoja.

D. Change management

42. A good change management strategy has been crucial to managing diverse stakeholders' interests regarding IPSAS implementation. Change management activities were intensified through increased communications and training. At managerial levels, they have been focused on enlisting managers' support for urgent activities in a time- and resource-constrained environment. At operational levels, the focus has been on guidance and support for data cleansing and enrichment for opening balances and for producing IPSAS-compliant transactions after going live, using a combination of current systems and Umoja.

43. In view of the strong interdependencies of Umoja and IPSAS, and with a view to reducing the burden of the implementing entities in managing two separate projects, the IPSAS and Umoja projects have integrated their plans wherever feasible and taken advantage of each other's progress in areas of mutual endeavour. For example, the 46 local implementation teams set up for the IPSAS project are also supporting the Umoja implementation; this has enabled the local teams to deal with both implementations with full awareness of their interdependencies. Similarly, the Umoja change management team is using IPSAS trainers to support its training programme, leveraging the experience they have gained in IPSAS; this is also expected to facilitate the joint change management efforts of IPSAS and Umoja, especially where IPSAS is largely to be implemented through Umoja.

44. The two projects have worked hard on finding common solutions for data preparation and conversion and continue to sponsor several joint activities, especially workshops for opening balances and cut-over plans for Umoja implementation. They have also collaborated to run weekly learning sessions, both on site and online, to set the stage for formal Umoja training with embedded IPSAS processes. They are working closely together to ensure that all Umoja training materials and desk procedures incorporate relevant IPSAS information, in their operational guidance.

45. The IPSAS team, in collaboration with Umoja and the Department of Field Support, conducted three workshops in May 2013 at the United Nations Operation in Côte d'Ivoire, the Regional Service Centre in Entebbe, Uganda and the Global Service Centre in Brindisi, Italy, targeting chief finance officers and self-accounting units from the West African, East African and Mediterranean area missions, respectively, to build on the IPSAS-Department of Field Support workshop in Nairobi in January 2013 and reinforce their preparations for IPSAS opening balances and IPSAS-compliant transactions between July and September, until the deployment of Umoja. The Umoja team also discussed the cut-over plans for the October 2013 Umoja implementation. In addition, the Department of Field Support team presented valuation methodologies for real estate assets. A fourth workshop, held in August 2013 in Entebbe, focused heavily on data conversion for Umoja and the finalization of IPSAS opening balances.

46. Weekly videoconferences are also held with all concerned offices at Headquarters and away from Headquarters to provide updates and discuss progress. The IPSAS newsletter was revived in July 2013 to regularly update staff throughout the United Nations on progress in implementation and the impact on current processes and practices.

Training

47. Approximately 1,600 staff members have completed the computer-based IPSAS awareness training course during the reporting period, bringing the total number trained to about 9,600. Computer-based working-level training for those directly affected by IPSAS reached some 2,100 staff members, bringing the total to about 8,300 and exceeding the original target of 7,500. Intermediate on-site training, targeting both finance and non-finance staff involved in preparing opening balances, was delivered to 1,300 staff members by 130 trainers who had been trained earlier in a series of train-the-trainer courses at Headquarters and in the field. The intermediate training programme has reached 3,300 staff members since its inception.

48. The training outreach was greatly facilitated by an extensive training programme launched in peacekeeping missions by the United Nations and Department of Field Support IPSAS teams in preparation for the July 2013 launch of IPSAS activities in the missions. A two-pronged training approach (instructor-led and computer-based training) was launched to cover both extensive and non-extensive users of IPSAS. Missions have greatly supported such endeavours through regular participation.

49. Advanced training for about 100 finance staff members directly involved in the preparation of financial statements is scheduled to commence in the first quarter of 2014, subject to their completion of the intermediate courses. These courses will be repeated with amendments as the systems landscape changes with the progressive roll-out of Umoja and replacement of current systems.

50. Figure III shows the progress of IPSAS training.

Figure III
International Public Sector Accounting Standards training (as at 30 June 2013)

Awareness training	*Working-level training*	*Intermediate training*	*Advanced training*
Q3 2013: approximately 9,600 trained	Q3 2013: approximately 8,300 trained	Q3 2013: approximately 3,300 trained	100 to be trained
Q3 2012: approximately 8,000 trained	Q3 2012: approximately 6,200 trained	Q3 2012: approximately 2,000 trained	To begin Q1 2014
Original target: 10,000 by project end	Original target: 7,500 by project end	Original target: 2,900 by project end	
The benefits and changes that adoption is bringing.	Concepts and principles of IPSAS for those staff directly impacted by IPSAS.	Targets finance and non-finance staff preparing opening balances. Provides cross-functional training, such as internal controls over assets and data.	Targets finance staff directly involved in preparation. Covers how to prepare financial statements under IPSAS.
Enables	Enables	Enables	Enables
The understanding necessary to prepare for implementation work. Awareness of changes, benefits, and challenges brought in by IPSAS adoption. *Note*: Awareness training provides the foundation for other IPSAS courses.	The ability to explain and apply IPSAS terminology (such as depreciation, impairment and inventories). Understanding of the level of disclosure required for compliant financial statements. Familiarity with system-wide policies.	Accurate completion of information for inventory, real estate, plant and equipment, leases, and intangible assets. Correct, compliant capturing of information to support opening balances. In-depth knowledge of relevant policy framework areas.	Preparation of compliant financial statements, including note disclosures. In-depth understanding of policy framework areas and ability to reference all IPSAS standards. *Note*: This audience will require continual training each year on updates and new IPSAS standards.

E. Regulatory framework

51. The International Public Sector Accounting Standards, though far more detailed than the United Nations system accounting standards, are principle-based and require

adaptation to the business model of each organization. The United Nations system, through the Task Force on Accounting Standards of the High-level Committee on Management, has issued guidance papers in an effort to harmonize the interpretation of IPSAS as they apply to the United Nations system organizations. In addition, the United Nations did significant additional work to apply individual standards to its business model. As a result, the first IPSAS policy framework was issued in August 2012 after extensive consultation with stakeholders. A second edition of the IPSAS policy framework was released in August 2013 to address the comments and suggestions of the Board of Auditors and the feedback received from key stakeholders.

52. The General Assembly, in section IV of its resolution 67/246, approved amendments to the Financial Regulations of the United Nations for IPSAS compliance and took note of the proposed changes to the Financial Rules. On 1 July 2013, the Secretary-General promulgated the revised Financial Regulations and Rules (ST/SGB/2013/4) with the proviso that the amendments would not take effect until 1 January 2014 for the regular budget, trust funds and reserve and special accounts, other than peacekeeping accounts.

53. The high-level United Nations-specific guidance in the IPSAS policy framework has been supplemented by more detailed operational guidance in 19 corporate guidance documents, written for an operational audience that may have little knowledge of or training in IPSAS. These documents cover such areas as property, plant and equipment, intangible assets, inventories, leasing, employee benefits, delivery principle, financial instruments, funding arrangements, impairment, provisions and contingent liabilities and segment reporting. Two of the 19 documents, still under review by stakeholders, are expected to be finalized shortly.

54. The corporate guidance documents were validated through a "centre of excellence" virtual group comprising representatives of the Headquarters departments, offices away from Headquarters, regional commissions and field missions, relying heavily on weekly videoconferences to resolve issues and meet the aggressive deadlines. This work addresses a key concern expressed by the Board of Auditors.

55. More detailed instructions on the practical application of IPSAS are provided through standard operating procedures which specify who will perform what, when and how, and are prepared by offices individually to address local requirements. The development of the standard operating procedures is also a highly collaborative effort of field missions and other offices.

56. Finally, an accounting manual is under development. It will bring together the policies, guidance and desk procedures needed to guide the consistent application of IPSAS policies across all United Nations operations and entities.

F. Benefits realization

57. In its resolution 66/246 of 24 December 2011, the General Assembly requested the Secretary-General to ensure full realization of the benefits associated with the implementation of IPSAS. Earlier, the Secretary-General had identified five key benefits of adopting IPSAS: (a) improved external and control and transparency, (b) alignment with best accounting practices, (c) more comprehensive information

about costs, (d) improved non-expendable equipment records and (e) improved consistency and comparability of financial statements (A/60/846/Add.3, para. 15).

58. The Board of Auditors had recommended (A/66/151, para. 21) that the United Nations establish an IPSAS benefits realization plan and organization-wide change management programme for IPSAS, including a communications plan to set out the changes and benefits that IPSAS would bring, and how senior management in every department and office must take ownership and drive the delivery of the intended benefits.

59. Following the Board of Auditors' recommendation, benefits-realization planning was moved forward in the IPSAS project plan; a detailed framework of the plan was approved by the IPSAS Steering Committee in March 2012 and presented to the General Assembly in the Secretary-General's fifth progress report (A/67/344). The Board of Auditors had commented that the proposed structure and coverage of the plan was broadly in line with best practice to reliably measure benefits.

60. The completion of the benefits realization plan, planned for the end of 2012, has been delayed owing to difficulties in securing external professional assistance and the inability of the United Nations team to devote adequate time to this activity without compromising its preparations for opening balances and supporting the Umoja design and testing. Nevertheless, some progress has been already made and the plan is expected to be completed by the end of 2013 for presentation to senior managers early in 2014.

61. Notwithstanding the lack of a formalized plan, the progressive implementation of IPSAS since 2009 has triggered the realization of some of the benefits of IPSAS even though the accountability for their realization remains undefined.

62. Perhaps for the first time, a complete inventory of real estate assets is now available, including all owned, leased and donated right-to-use arrangements. Data have been gathered for over 900 real estate arrangements, including owned property, leases-out (United Nations acting as the landlord) and leases-in (United Nations acting as a tenant), and individually analysed and classified in accordance with IPSAS. The lease arrangements are also being individually reviewed to distinguish the rental component from other maintenance charges, to support their separate accounting. The inventory and valuation of self-constructed assets is also taking shape rapidly. These will improve the stewardship of assets and lead to greater cost transparency.

63. The quantification of liabilities relating to employee benefits, such as after-service health insurance and repatriation benefits, has triggered more accurate record-keeping of underlying data and an evaluation of the true costs of operations. Peacekeeping operations have, perhaps for the first time, a comprehensive picture of the state of depreciation of their assets under different classes and in each mission, which can be very useful in planning the resource requirements for the replenishment of assets. The volume of unliquidated obligations has reached an all-time low in the United Nations Interim Force in Lebanon as a result of the combined impact of IPSAS and the Umoja roll-out.

64. Recently, peacekeeping operations have established a weekly scorecard for regular monitoring of progress of preparations for IPSAS opening balances, which includes a key performance indicator, "physical accountability of plant and equipment", for better tracking of inspection of assets.

G. Managing some key impacts of the Standards

65. IPSAS requires the preparation of annual financial statements, and although the Standards do not address the issue of audit, it has been accepted that the IPSAS financial statements will be audited annually. The preparation and publication of financial statements based on IPSAS, as well as the move to annual auditing, will have an impact on the workload of several major stakeholders.

66. In April 2013, a conference room paper was prepared by the Secretariat and presented to the Fifth Committee of the General Assembly, concerning the implications of the adoption of IPSAS for the work of the United Nations and its funds and programmes, the Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee as summarized below.

Advisory Committee on Administrative and Budgetary Questions

67. The Advisory Committee will have to review each year the report of the Board of Auditors on each United Nations organization, which it currently reviews on a biennial basis in the off-budget year. When the report of the Secretary-General on implementation of the Board of Auditors' recommendations for all entities except for peacekeeping operations is included, the number of additional reports the Advisory Committee will have to review during the fall session of the budget year reaches 32. This increase in the number of reports for review will affect each phase of the life cycle of the Committee's reports (hearings, executive sessions and drafts). The schedules for preparation, auditing and publication of the financial statements also imply a fairly inflexible and compressed schedule for the Advisory Committee's review.

Fifth Committee

68. During the off-budget year (even year), when financial statements and audit reports for all entities are presented and discussed, according to the best estimates based on past experience, the Fifth Committee meets on average for 5 to 6 three-hour sessions. In the budget year, when there are no financial statements for these entities, similar best estimates suggest that the Committee's deliberations require, on average, 2.5 to 3 three-hour sessions. Therefore, the adoption of IPSAS is likely to necessitate the Fifth Committee meeting, on average, for at least 5 to 6 three-hour sessions in the main session every year to review the IPSAS-compliant financial statements and the associated audit reports as well as the Secretary-General's report on the implementation of the Board's recommendations.

The United Nations and its funds and programmes

69. The major areas of impact for the United Nations and its funds and programmes can be broadly divided by frequency into recurring and non-recurring, and by target groups into finance and non-finance communities.

70. All organizations have seen a prolonged and significant demand on their finance and non-finance communities for the initial implementation of IPSAS. These have included modifications and upgrades to the enterprise resource planning systems for IPSAS-compliant processes and the development of other supporting

systems for meeting the additional information requirements for disclosure in the notes to the financial statements.

71. The recurring impacts are also becoming increasingly evident with the experience gained across the United Nations system organizations. The most common recurring impacts are outlined briefly below.

72. The IPSAS financial statements are far more complex than those of the United Nations system accounting standards. This complexity has multiple recurring impacts: (a) members of the finance community, especially those tasked with the preparation of the financial statements, require more extensive and periodic training to keep them abreast of the new requirements emanating from new or modified standards; (b) the additional and varied information requirements require the sustained involvement of a large non-finance community in creating, maintaining and supplying the additional information; this includes periodic training and the maintenance of the enterprise resource planning system and associated systems supplying information for the financial statements; (c) the audit review of the additional information calls for strengthening of the internal control mechanisms to provide adequate assurance to management and to the external auditors about the reliability of such information; (d) the stringent valuation criteria for assets and liabilities necessitate external professional services such as actuaries and certified valuers; and (e) the range of assets included in the financial statements has created, in some cases, a new job family of asset accountants with a mix of property management and accounting skills.

73. Annual audit also triggers more complex accounting closures every year and greater resource commitments to support the external audit process, in addition to the increase in the external audit fees. On average, the IPSAS financial statements are about 30 per cent to 50 per cent larger than those generated under the United Nations system accounting standards, placing an additional burden for their timely translation and publication, in addition to increasing the related costs.

74. The dynamism of the standards evolving continuously through the quarterly meetings of the IPSAS Board also places a burden on the finance community to monitor, assimilate and implement the changes to the standards, including updating their internal regulatory framework to remain IPSAS-compliant.

Board of Auditors

75. IPSAS will not only increase the number of reports that the Board of Auditors will produce annually but also the audit scope owing to new items in the financial statements. The Board of Auditors has already noted a need for reconsideration of how external audit work will be delivered by the Board, handled by the Administration and fit within the schedule of the General Assembly.

76. In order to manage the increased number of reports, the Board of Auditors had proposed streamlining its long-form report on individual entities by shortening the content to focus on financial, internal control and compliance issues and a limited range of entity-specific management issues; for entities considered low-risk, it had proposed producing an audit opinion only, with a long-form report being issued only in case of exceptional findings. Further, the Board proposed balancing a reduction in the coverage of management issues at an entity level by producing a limited number of topic-specific reports each year on selected major managerial issues to be proposed by the Board.

77. The General Assembly has, however, approved the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the Board of Auditors continue its current practice of producing both short-form and long-form reports for each entity, as the Advisory Committee considers the long-form report to be valuable.

H. Project budget and expenditures

78. In its resolution 60/283, the General Assembly approved resources for the project, which has an indicative budget of $23.0 million. The budget is, however, approved separately for each fiscal cycle under the regular budget and the support account for peacekeeping operations.

79. The project's expenditure status as at 30 June 2013 is shown below.

Object of expenditure	*Expenditure*			*Revised appropriations*	*Expenditure*
	2006-2007	*2008-2009*	*2010-2011*	*2012-2013*	*2012-2013*[a]
Regular budget					
Posts	370.4	1 270.6	1 164.1	1 156.5	880.9
General temporary assistance	–	–	370.6	389.7	573.6
Consultants	–	–	272.9	–	–
Travel	10.2	46.6	149.7	113.0	61.9
Contractual services	16.4	0.3	20.5	117.9	14.2
Other	10.9	24.2	43.6	33.6	5.5
Office of Programme Planning, Budget and Accounts	407.9	1 341.7	2 021.4	1 810.7	1 536.1
Jointly financed activities	427.1	732.2	–[b]	534.7	–[b]
Subtotal	**835.0**	**2 073.9**	**2 021.4**	**2 345.4**	**1 536.1**
Support account for peacekeeping operations					
General temporary assistance	324.2	547.6	599.1	1 414.2	929.9
Consultants	–	–	232.5	6 194.5	3 425.5
Travel	–	2.6	27.1	520.8	332.8
Other	–	–	–	51.7	3.7
Subtotal	**324.2**	**550.2**	**858.7**	**8 181.2**[c]	**4 691.9**
Total	**1 159.2**	**2 624.1**	**2 880.1**	**10 526.6**[d]	**6 228.0**

[a] Actual expenditures to 30 June 2013 as at 15 August 2013.

[b] Requirements are estimated to be fully covered by the balance rephased from previous bienniums.

[c] Represents the prorated appropriation for the period 1 January 2012-30 June 2012, the revised appropriation for the period 1 July 2012-30 June 2013 and the estimated prorated amount for the peacekeeping period 1 July 2013-30 December 2013.

[d] The total appropriation does not include $2 million under extrabudgetary funds allotted to regional commissions and offices away from Headquarters.

80. As reported previously (see A/67/344, para. 74), the shortage of resources is an area of concern highlighted by the Board of Auditors. IPSAS, along with other transformation projects like Umoja, places additional demands throughout the organization that have to be managed within existing resources.

81. The central IPSAS team is funded from a combination of four posts under the regular budget and four general temporary assistance positions under the support account for peacekeeping operations. The team has a mix of specialized skills that has been built over time with difficulty and nurtured carefully to support the cross-cutting functions demanded for IPSAS compliance across United Nations operations. A few individual contractors hired for their specialized knowledge or experience also support the team. Collectively, the team is able to provide the broad range of expertise necessary to support IPSAS adoption in the United Nations.

82. The complex systems architecture supporting IPSAS compliance until the full deployment of Umoja in all United Nations operations, including the phased deployment of Umoja Foundation, Extension 1 and Extension 2, and the continuing replacement of current systems supporting IPSAS compliance, will place heavy demands on this central IPSAS team well beyond the initial implementation of IPSAS in 2013 and 2014.

83. Recognizing the above reality as well as the need to stay within budget, the project has sought to contain costs as much as possible, proposing the minimum possible amounts in each fiscal cycle, without compromising the capacity to manage the implementation, in an effort to draw out the resources for as long as possible until full Umoja deployment.

III. Implementation of the International Public Sector Accounting Standards across the United Nations system

84. Ten United Nations system organizations issued their first IPSAS-compliant financial statements for 2012, adding to the 11 organizations that had issued their first IPSAS-compliant statements between 2008 and 2011. All 21 organizations have also obtained "unqualified" audit opinions on their 2012 financial statements, representing a significant achievement in both implementing IPSAS and sustaining compliance.

85. The Food and Agriculture Organization of the United Nations, the United Nations Secretariat and the World Tourism Organization are on schedule for implementation in 2014.

86. The annex to the present report contains a list of the 24 organizations and their IPSAS implementation dates. The organizations continue to work collaboratively through the Task Force on Accounting Standards towards their IPSAS implementation or post-implementation goals. The Task Force continues to be supported by a system-wide team jointly financed by the organizations.

87. The Task Force and the system-wide team have four major categories of activities, described below, that they undertake to support and sustain the organizations' IPSAS compliance.

A. Interaction with the International Public Sector Accounting Standards Board

88. The International Public Sector Accounting Standards Board continues to update the standards and actively develops guidance, based on its understanding of the needs of users of financial statements of public sector entities, to promote better transparency and accountability. The Board invites comments at multiple stages of its process before promulgating new or updated standards; it also meets quarterly to discuss and approve the changes to the standards and guidance.

89. The Task Force closely follows the Board's work in view of its implications for the United Nations system organizations. Monitoring the work of the Board and providing feedback on its documents on behalf of the Task Force are key activities of the system-wide team. The team, under the guidance of the Task Force, participated in the quarterly meetings of the Board and communicated the United Nations system's views on the following draft pronouncements exposed for public comment: (a) consultation paper on the Board's work programme for 2013-2014; (b) conceptual framework phase 2: elements and recognition in financial statements; (c) conceptual framework phase 3: measurement of assets and liabilities in financial statements; and (d) conceptual framework phase 4: presentation in general-purpose financial reports.

B. Accounting guidance

90. After a stable system-wide IPSAS policy platform was deemed established in 2007, the focus of the system-wide team shifted to providing guidance on specific IPSAS requirements based on current needs of the United Nations system organizations. In early 2013, the team developed a technical issue paper on employee benefits, focusing on the classification of benefits, a review of classification across United Nations system organizations and an assessment of changes in standards that could affect classification in future. The paper also reviewed actuarial valuation assumptions, roll-forward and use of the discount rate. The paper was presented to the Task Force in April 2013 and is expected to be approved at its next meeting in October after incorporating feedback from members.

C. Working focus groups

91. As more organizations develop a deeper understanding of IPSAS, and the focus of the system-wide collaboration shifts to specific technical issues and the practical implications of sustaining IPSAS compliance, the Task Force has been organizing thematic focus groups each year led by members of the Task Force and supported by the system-wide team. During 2013, two such groups established during the previous reporting period continued to develop ideas on (a) the dividends and recurring costs of IPSAS implementation and (b) the statement of internal control. In a reflection of the challenges confronting the organizations, two new groups were also established in April 2013 to address (a) reporting on inventories and useful lives of property, plant and equipment and (b) recognition of non-exchange revenue.

92. The working focus groups and other thematic exchanges of information provide a forum where organizations can leverage the expertise across the United Nations system and secure a common position to the extent feasible.

D. Management of accounting diversity

93. The International Public Sector Accounting Standards are principle-based pronouncements, allowing a degree of judgment and diversity in application. The application of the standards to the divergent business models of the United Nations system organizations is likely to generate differences in accounting policies across the organizations. Differences may also arise from divergent interpretations or lack of clarity in the standards as they relate to the business of international not-for-profit organizations. As divergences that are not triggered by differences in business models or circumstances could potentially undermine the comparability of the financial statements of the United Nations system organizations, the Task Force promotes interaction and discussion to minimize accounting diversity to what is warranted.

94. In an effort to promote consistency, where feasible, across the organizations in the interpretation and application of the standards, the Task Force strives to facilitate better analysis and articulation of the accounting treatments allowed by the standards. In response to interest expressed by its members, the Task Force had commissioned two rounds of comparative analyses, in September 2011 and April 2012, of several categories of accounting policies of those member organizations that had implemented IPSAS. The positive feedback from those analyses triggered another comparative analysis focusing on liabilities, including provisions, accruals and deferred revenue, and a review of notes and other supplementary information included in financial statements of 10 United Nations system organizations. The results were presented at the September 2012 meeting of the Task Force.

95. The comparison project will resume in late 2013 as IPSAS-compliant financial statements of 21 United Nations system organizations will become available shortly, thereby facilitating a richer analysis of similarities and divergences, and the rationale for divergences.

96. The system-wide team also collected and grouped accounting policies of 11 United Nations system organizations on recognition of multi-year pledges and transactions with implementing partners. These materials were used by the Task Force delegation which participated in the meeting of the Technical Group of the Panel of External Auditors in December 2012 and shared with the Task Force in early 2013.

97. In addition the system-wide team proposed a standard note on accounting treatment and disclosure of the United Nations Joint Staff Pension Fund for inclusion in United Nations system organizations' financial statements, including an update to reflect the decision of the General Assembly in April 2013 on the mandatory age of separation.

E. Other matters

98. The Task Force continues to work with the Technical Group of the Panel of External Auditors of the United Nations, the Specialized Agencies, and the International Atomic Energy Agency to address common and recurring financial reporting and audit issues and to foster a more productive and interactive relationship with external auditors at the system-wide level. A delegation of the Technical Group attended the Task Force meetings in September 2012 and April 2013. A representative of the Technical Group made a presentation at the September 2012 meeting emphasizing its shared objective with the Task Force of high-quality IPSAS-compliant

financial statements with an unqualified opinion. A Task Force delegation also attended the meeting of the Technical Group in December 2012 and participated in group discussions on revenue recognition of multi-year pledges, implementing partner arrangements and employee benefits, which are issues of concern to the United Nations system organizations. The Task Force delegation and the Technical Group also acknowledged and discussed the challenges posed by changes of personnel in external audit teams and measures to mitigate their adverse impact.

99. The system-wide team actively uses two web-based applications to facilitate access to past and current information as well as for sharing of experiences related to IPSAS implementation and post-implementation in the United Nations system. The information repository was moved to a new, upgraded website in the first half of 2013 as part of the initiative of the Chief Executives Board for Coordination. The system-wide team facilitated the migration of information to the new website, redesigning the content and creating a user guide for members and observers of the Task Force.

100. Following the recommendations of the Task Force and the Finance and Budget Network, the High-level Committee on Management approved, in September 2012, the continuation of the system-wide IPSAS project until the end of 2015, consisting of a reduced resource base of one P-5, one P-4 and one General Service staff, supplemented by the use of consultants. The Committee also requested another review before the end of 2015 for institutionalizing the system-wide support for continued IPSAS compliance, through a further reduced team under the framework of the Chief Executives Board for Coordination.

IV. Actions to be taken by the General Assembly

101. The General Assembly is requested to take note of the present report.

Annex

Dates for the implementation of the International Public Sector Accounting Standards

Organization	*Implementation date*
World Food Programme	2008
International Civil Aviation Organization	2010
International Maritime Organization	2010
International Telecommunication Union	2010
Pan American Health Organization	2010
United Nations Educational, Scientific and Cultural Organization	2010
United Nations Industrial Development Organization	2010
World Intellectual Property Organization	2010
World Meteorological Organization	2010
International Atomic Energy Agency	2011
Universal Postal Union	2011
International Labour Organization	2012
United Nations Development Programme	2012
United Nations Population Fund	2012
Office of the United Nations High Commissioner for Refugees	2012
United Nations Children's Fund	2012
United Nations Office for Project Services	2012
United Nations Relief and Works Agency for Palestine Refugees in the Near East	2012
UN-Women	2012
World Health Organization	2012
Joint United Nations Programme on HIV/AIDS	2012
Food and Agriculture Organization of the United Nations	2014
United Nations Secretariat	2014
World Tourism Organization	2014